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December 20, 1968

EXCISE
DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY
PORTIONS DENIED AS INDICATED
DATE 25 MAY 1982

Memorandum of Consultations

United States-Italy Civil Aviation Negotiations

(December 9-20, 1968, Washington, D.C.)

Representatives of the United States of America and of Italy met in Washington, D.C. from December 9 to 20, 1968 for the purpose of negotiating an air transport services agreement. The members of the respective delegations are listed, in Attachment 1. The two delegations exchanged the attached documents, a list of which is at Attachment 2, regarding the various elements of the agreement and discussed the proposals made for dealing with those elements. In light of the approaching Christmas holiday season, the two delegations agreed to recess the meetings and to resume their discussions in Rome on or about February 3, 1969, subject to confirmation

The principal elements considered in the discussions were as summarized below.

A. Text of New Agreement

1. The Italian delegation indicated its willingness to accept the draft agreement proposed by the United States (U.S. Document No. 1) subject to the following conditions and changes:

(a) Agreement on a confidential memorandum regarding multiple designation of carriers (Italian Document No. 1);

(b) A different text for Article 8, on customs and fiscal provisions (Italian Document No. 2);

(c) Agreement on a confidential statement on capacity

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(Italian Document No. 3);

(d) A different text for Article 10 on rates (Italian Document No. 4);

(e) An amendment to Article 15 on entry into force and a related memorandum on entry into force (Italian Document No. 5);

(f) Agreement on supplementary document on all-cargo services; (Italian Document No. 7)

(g) Elimination of Article 7 on airport charges.

2. The United States delegation proposed a change (U.S. Document No. 2) in the Italian proposal regarding Article 15 and in the related memorandum on entry into force, which, after insertion of the word "appropriate" before the words "exchange of notes" in Article 15, was accepted ad referendum. In view of certain United States problems with the text of Article 8 on customs and fiscal provisions, the Italian delegation presented a compromise proposal (Italian Document No. 10). The U.S. Delegation expressed the desire to have ground equipment and certain other items covered by the provisions of Article 8. This matter will be further considered by both delegations. The United States delegation also expressed opposition to the Italian Article 10 (Italian Document No. 4) on rates and to the elimination of U.S. Article 7 on airport charges.

B. Multiple Designation of Airlines

The United States delegation stated that it was unable to accept the Italian proposal on multiple designation of airlines (Italian Document No. 1) which indicated acceptance of the principle of multiple designation, limited however to the number of U.S. carriers presently operating to Italy. After discussion, the United States proposed a

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statement (U.S. Document No. 6), expressing the intention of the United States with respect to multiple designation and suggesting a posteriori consultations in the event that the United States designates a new U.S. carrier to serve Italy. The Italian delegation declared the U.S. proposal unacceptable.

C. Capacity

The United States indicated its willingness to accept the Italian proposal on capacity (Italian Document No. 3) with certain modifications as indicated in a U.S. counter-proposal on capacity (U.S. Document No. 3). The Italian Delegation expressed its opposition to certain aspects of U.S. Document No. 3.

D. All-cargo Services

The Italian views on all-cargo services, as set forth in Italian Document No. 7, envisaged a temporary arrangement of three years during which frequencies could be increased but would remain at an equal number for each side; consultations would be held at the end of the three year period to re-examine all-cargo services on the basis of experience acquired. After discussions, the U.S. delegation offered a counter-proposal (U.S. Document No. 5) which, inter alia, indicated the number of all-cargo frequencies that the U.S. carriers intend to operate to Italy in the next two years, and provided that all-cargo services would be governed fully by the bilateral Agreement and the special understanding on capacity, effective January 1, 1971. The Italian delegation was prepared to discuss the level of services proposed by the U.S. delegation, but it had difficulty with

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the U.S. concept that all-cargo services would automatically fall under the Agreement at the end of the two year period.

E. Routes

The Italian delegation set forth Italy's route desires in Italian Document No. 6. The U.S. delegation proposed a route schedule, containing the routes to be granted to each side, as shown in U.S. Document No. 4 The Italian delegation then submitted a counter-proposal in Italian Document No. 8 to which was attached a proposed route schedule listing routes for each side. The U.S. delegation expressed willingness to consider the deletion of Milan in US route 2 (U.S. Document No. 4), if the remainder of that route were confirmed, but indicated difficulty with the acceptance of a Boston/Chicago coterminal route (Italian Document No. 8) for the Italian side, although it would consider this proposal. The Italian delegation expressed difficulty with the inclusion of Naples, Pisa and Turin on the US route 1 but agreed to include the U.K. and Ireland for cargo and mail services only on the US route schedule.

F. Future Negotiations

The Italian delegation proposed a confidential memorandum (Italian Document No. 9) noting that the two sides had requested certain routes, and stating that these requests would be set aside and taken up again under examination within 1970 for the purpose of reaching an agreement. This item was not discussed.

G. The two Delegations agreed that, with the exception of Article 15 and the related memorandum, the above items would be considered further

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in the subsequent discussions.

General Felice Santini
Chairman, Italian Delegation

Mr. John S. Meadows
Chairman, United States Delegation

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ATTACHMENT 2

List of Working Documents

A. Italian Documents

1. Proposed Joint Statement on Number of Airlines (December 9, 1968)
2. Text of Article 8: Customs and Fiscal Provisions (December 9, 1968
3. Proposed Joint Statement on Capacity (December 9, 1968)
4. Text of Article 10: Rate Article (December 9, 1968)
5. Amendment of Article 15 and Related Memorandum regarding Entry into Force (December 9, 1968)
6. Italian Routes (December 12, 1968)
7. "All-Cargo" Services (December 13, 1968)
8. Italian Views on Number of Carriers, Routes, and Capacity,, with Attached Route Schedule (December 13, 1968)
9. Memorandum Regarding Future Examination of Certain Route Requests (December 13, 1968)
10. Italian counterproposal of Article 8 (Customs and Fiscal Provision) Amending US Proposed Text of Article 8. (December 17, 1968)

B. United States Documents

1. Draft of Air Transport Agreement (November 6, 1968)
2. Proposed Amendment of Article 15, and Related Memorandum on Entry into Force (December 12, 1968)
3. US Counterproposal of Statements on Capacity (December 12, 1968)
4. Draft Route Schedule (December 18, 1968)
5. All-Cargo Services (December 18, 1968)
6. Statement on Multiple Designation of Carriers (December 18, 1968)

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Translation

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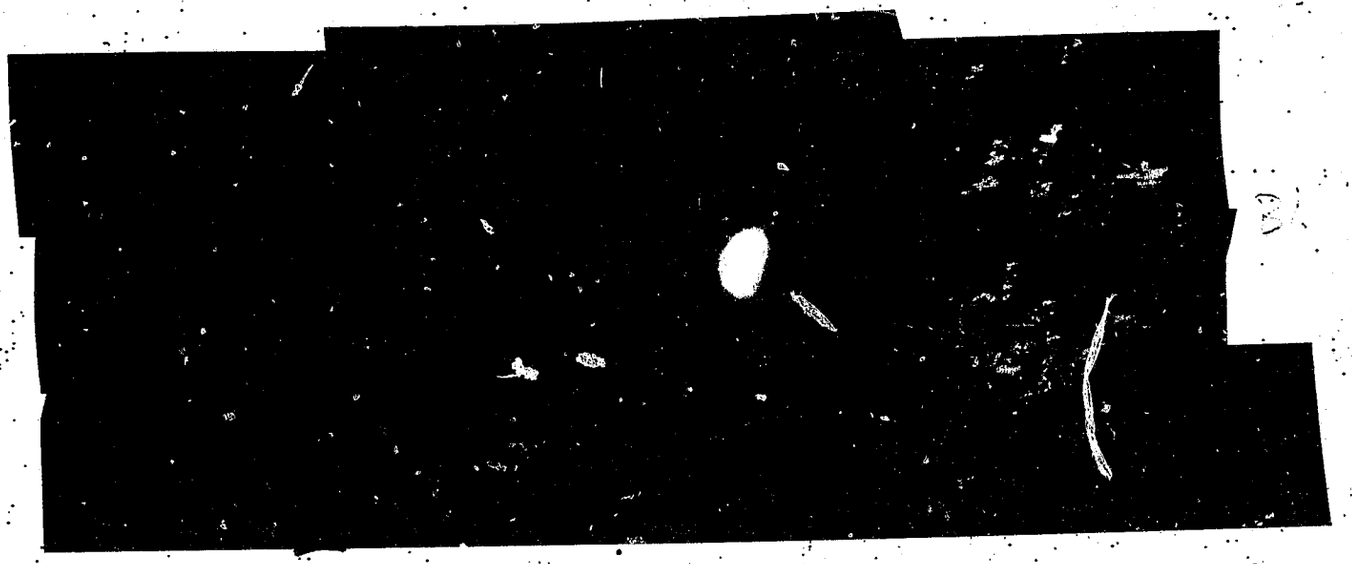
Italian Document #1
December 9, 1968



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Italian Document No. 2

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Translation

December 9, 1968

Draft Agreement on Air Transport Between the United States and Italy

Italian Text of Customs and Financial Provision

Article 8

1. Subject to compliance with the customs requirements normally applied in the respective countries, the aircraft of the airlines designated by one contracting party and operating the agreed services, as well as the fuels, lubricating oils, the supplies on board, the spare parts, and the regular equipment on board carried on said aircraft will be admitted into the territory of the other contracting party, exempt from customs duties and all other import charges, even when such materials on board are consumed and used during the flight above said territory.

Such materials may not be disembarked without the permission of the customs authority of the other contracting party.

The exemption referred to above will be applied in addition:

a. to fuels, lubricating oils, to the spare parts and to the regular equipment on board introduced into the territory of one contracting party and intended for the exclusive use of aircraft of

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the airline designated by the other contracting party, engaged in the exercise of the agreed services;

b. to fuels and lubricating oils as well as, within the limits and conditions established by the competent authorities, to the provisions on board that the aircraft of the designated airlines of a contracting party take on board in the territory of the other contracting party.

3. The materials which, on the basis of the provisions in the preceding paragraphs, enjoy customs and fiscal privileges cannot be utilized for uses other than flight services and should be re-exported if they are not so used, unl unless they have been nationalized pursuant to the regulations in force in the territory of the interested contracting party. Pending their use and destination they shall remain under the control of customs.

4. The exemptions provided for in this Articl will not be applied to charges and taxes that represent fees for services rendered.

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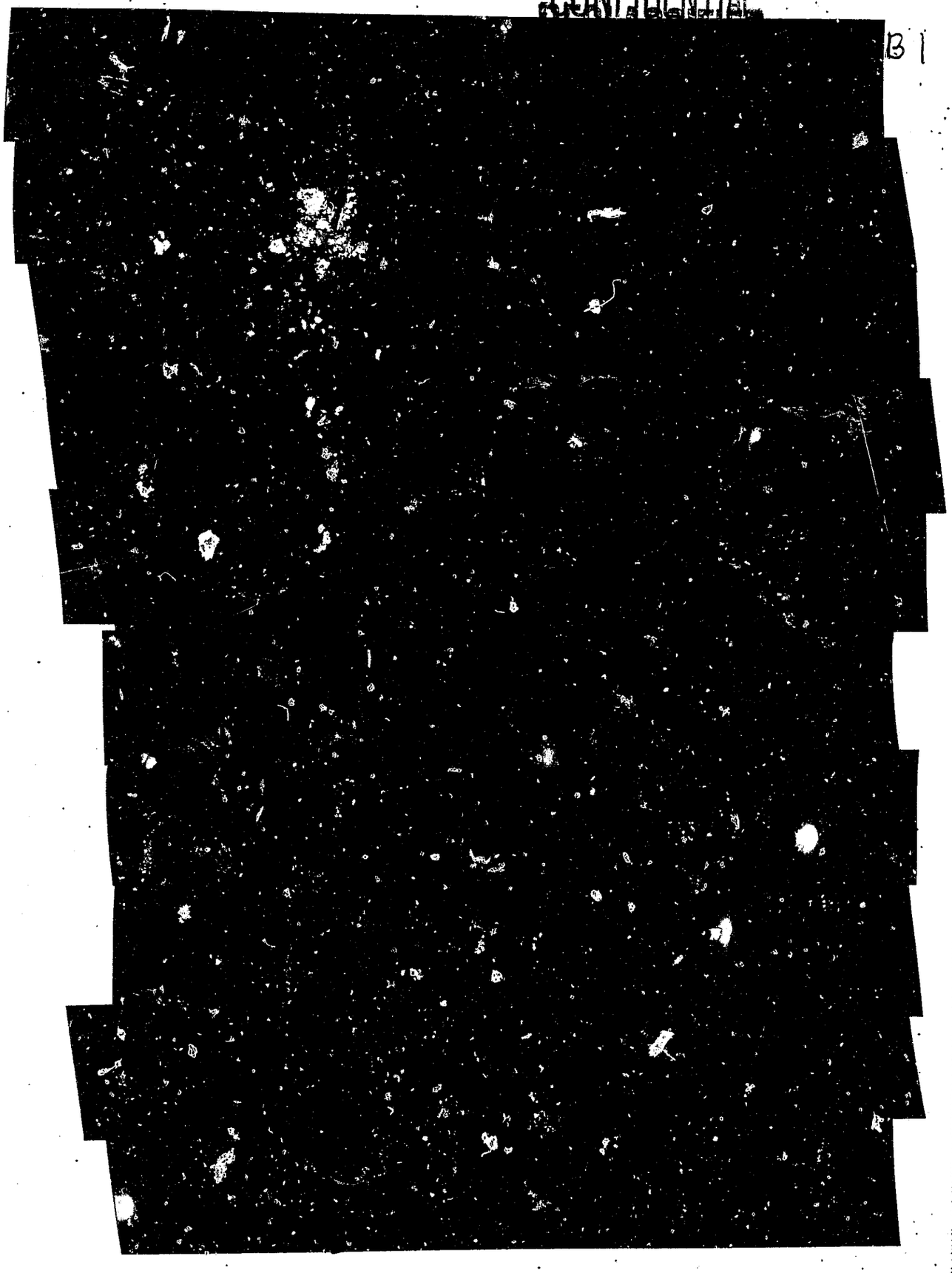

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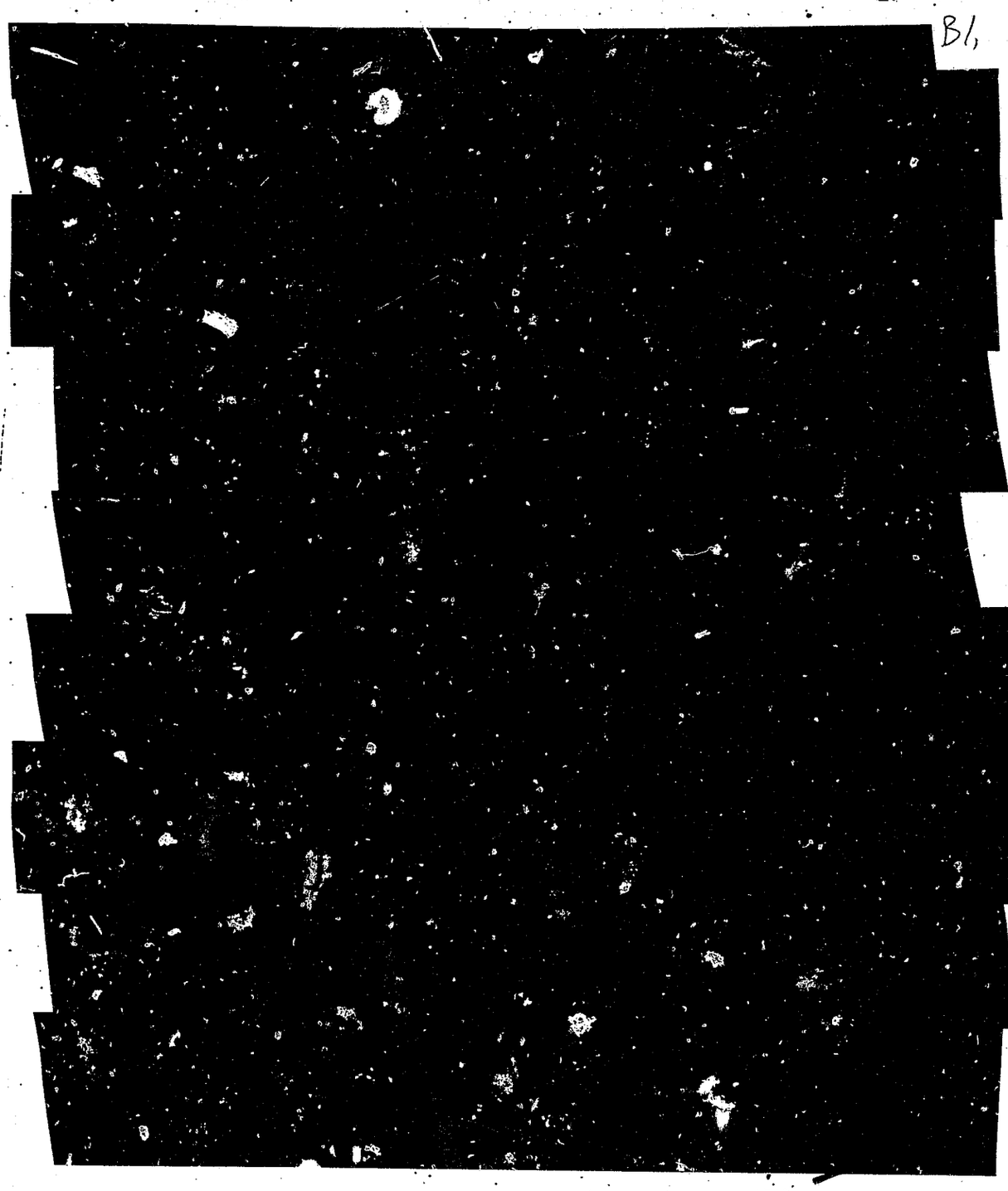

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Translation

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ARTICLE 10

1. Rates to be applied to agreed services must be established on a reasonable basis, in due consideration of all major factors affecting rates, to include cost of operations, reasonable return, and, where appropriate, rates applied by other airlines over all or part of the route involved.

2. Rates applied under paragraph 1 of this article must be agreed upon, if possible, for each of the routes involved, by the designated airlines (when appropriate in consultation with other airlines operating all or part of the route). Such agreement should be reached, whenever possible, through the procedures adopted for rates by the International Air Transport Association (IATA).

3. Rates thus agreed upon should be submitted for the approval of the Aeronautical Authorities of the Contracting Parties not less than 90 days prior to the proposed date of effectiveness of said rates. This period may be lessened in special cases, when the Aeronautical Authorities so agree.

4. Such approval may be expressly given. In the event that the Aeronautical Authorities of neither Party expresses its disapproval within 30 days following the date of submittal of the rates, in accordance with paragraph 3 of this article, the said rates shall be considered approved. In the event the period of time for submittal is reduced, as provided in paragraph 3, the Aeronautical Authorities of the two Parties may agree to having the period within which disapproval must be transmitted reduced to less than 30 days.

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5. In the event that agreement cannot be reached regarding a rate as provided in paragraph 3 above, or in the event that during the applicable period provided for under paragraph 4 above, the Aeronautical Authority of one of the Parties notifies the Aeronautical Authority of the other Party of its disapproval of any rate agreed upon under the provisions of paragraph 2, the Aeronautical Authorities of the two Parties shall, following consultation with the Aeronautical Authorities of the two Parties shall, following consultation with the Aeronautical Authorities of any other Government whose view they deem to be of interest, attempt to decide upon the rates by mutual agreement.

6. In the event that the Aeronautical Authorities do not agree to approval of a rate submitted to them, as provided in paragraph 3 of this article, or do not agree to decide upon a rate as provided in paragraph 5, the matter shall be settled in accordance with the provisions of Article 12 of the present Agreement.

7.

a. No rate may be put into effect that fails to meet with the approval of the Aeronautical Authorities of either one of the Parties, except in the case provided for under paragraph 3, Article 12, of the present Agreement.

b. Rates established under the terms of the present article should remain in effect until such time that new rates may be decided upon, as provided under the present article.

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Italian Document NO. 5

December 9, 1968

Translation

"The present agreement shall enter into force on the fifteenth day following the date of exchange of the instruments of ratification."

Memorandum

"With reference to the air agreement signed on today's date, the Contracting Parties agree that, pending exchange of the instruments of ratification as provided in Article 15, the said Agreement shall be placed provisionally in operation as of the date of signature."

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Italian Document No. 6
December 12, 1968

Italian Routes

Points in Italy-London-Lisbon-New York and vice versa;

Points in Italy-Boston-Chicago and vice versa;

Points in Italy-Paris-Atlanta-Dallas and vice versa;

Points in Italy-Montreal-Chicago-Los Angeles and vice versa;

With the option of omitting stops on any point of the routes.

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Italian Document #7
December 13, 1968

"All-Cargo" Services

With respect to all-cargo services, the Italian delegation confirms, as was repeatedly stated in the various phases of the prenegotiations, not being able to accept, in any form, the application of the Bermuda formula.

In the interest of the development of all-cargo traffic between Italy and the United States, the Italian delegation states that, until now, in accordance with the system established de facto of an equal number of frequencies there have not been experienced any difficulties, and all the times that a traffic requirement has been shown, it has been possible to meet it with an adjustment made immediately in the frequencies, leaving aside that a numerous series of additional flights has been quickly authorized even on the basis a simple telephone request from the United States companies operating in Italy.

Having the above in mind, the Italian delegation states that it is nevertheless ready to examine possible request by United States authorities to establish, by one and the other side, a greater number of frequencies than those presently operated in line with the foreseeable traffic needs in the next few years.

The question of air services will be reexamined three years after the conclusion of the Agreement, on the basis of experience acquired.

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Translation

Italian Document No. 8
December 13, 1968

The Italian Delegation, with reference to the topics that have been taken up in the last few days, believes that it is desirable to recapitulate the situation and its own point of view on the different problems dealt with.

(A) Number of Designated Carriers

The Italian Delegation has already expressed its view on the question of the number of designated carriers, giving its acceptance to putting into the air agreement the principle of multiple carriers with the addition of a confidential declaration which will indicate that the maximum number of US carriers cannot exceed that of the carriers presently operating, that is, two for combination and "all-cargo" services, leaving exclusively in the hands of the American authorities the choice of naming the carriers, both at the time of the initial designation or subsequently, throughout the duration of the Agreement.

The Italian Delegation maintains that in this manner there will be safeguarded, on the one hand, the requirement of the United States Government that in the air agreement there be incorporated the principle of multiple number of carriers, and, on the other hand, that the repeated Italian request be met of avoiding that the increase in the number of carriers might, in the application of the Bermuda capacity principle, create fears of excessive capacity not related to traffic requirements.

There is, however, a concern of the United States Delegation that, in the event a foreign carrier is permitted on a particular route, an equal right cannot be denied to a national carrier. It does not seem to the Italian Delegation that such a concern has a concrete justification, since there is nothing that would prohibit that such designation could be made by naming on of the airlines already operating to Italy, or even by naming another airline, so long as the maximum number remained at three.

There remains, however, the problem of the allocation of American air services by the United States authorities to its national airlines. However, this is clearly a problem of domestic policy which should not influence international relations.

The Italian Delegation must note with respect to this problem that the acceptance made of the designation of three

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United States carriers has represented a significant concession and that such acceptance has been arrived at, despite the known Italian position on this subject, only to make possible the reaching of an agreement, and that this point has already been covered in the preliminary meetings.

One of the reasons why the Bermuda position on the problem of capacity has been accepted on the Italian side was the certainty that the number of designated carriers would not have any changes representing increases.

The Italian Delegation urges the United States Delegation to consider the fundamental reasons for the Italian position which nevertheless has been, as already explained, significantly modified in passing from the designation of one carrier, which was its original position, to the present position of the designation of three carriers.

Moreover, insofar as is known to the Italian Delegation, there are no examples in all of Europe or elsewhere of the operation of more than three carriers [of the United States in a foreign country].

The Italian Delegation states that it is not able to modify its position on the issue of the designation of carriers.

(B) Route Schedules

1. United States Routes

The Italian Delegation has been surprised to see the presentation of United States routes which depart significantly from what was considered in the preliminary conversations.

The basis of the evaluations that were made was taken, with respect to United States routes, from services already operated by the American companies. It is maintained (by Italy) that on this point there can be no disagreement, having in mind among other things that what was being sought specifically was to find, through the concession to Italy of new routes, an equilibrium with the greater concessions which for some time had already been enjoyed by the United States carriers.

In light of all this, the Italian Delegation notes:

- The addition of "beyond" Milan rights. The "beyond" Milan rights did not even appear in the US Document No. 6 of May 25, 1967. Accordingly, the

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Italian Delegation thought that it was already settled that "beyond" Italy was limited to the Rome stop. Also, in the course of the subsequent evaluations the "beyond" Milan rights were never considered.

- The countries indicated in Route 2 of US Document No. 4 similarly go beyond the evaluations made since there are included countries that were never considered for the purposes of the evaluations.

- For Japan there had always been considered only the Tokyo stop.

- With respect to the Bangkok, Hong Kong, and Tokyo points, the Italian Delegation reminds that there has never been given any Italian acceptance to the concession of such rights.

- The points of Turin, Pisa, and Naples for cargo and mail services only have never been discussed nor considered.

2. Italian Routes

The Italian Delegation during the preliminary meetings presented its route schedule.

In the US Document No. 4, which contains also the schedule of Italian routes, there is not included the route: points in Italy-Boston-Chicago. From the clarifications given during the meeting of December 12, it appeared that the omission was based on a unilateral evaluation of the balance by the American side.

The Italian Delegation records that it cannot accept such an evaluation since the route in question has already formed a part of the equilibrium of concessions which come out of the numerous preliminary conversations. The Italian Delegation maintains therefore its request as contained in Italian Document No. 6, because it considers that this was already covered, and, moreover, represents an essential requirement for its own services.

The Italian Delegation therefore has prepared again a document a document on the schedule of routes as attachment No. 1 (hereto).

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(C) Capacity

The Italian side accepted the Bermuda principle because it wanted to take into account the requirements made known in this regard on the American side, that is, the adherence to a policy, almost in all of the United States air agreements, of permitting the carriers to schedule their operations freely. The acceptance of this principle has represented clearly a great concession on the Italian side, taking into account that Italy, as regards capacity, follows another policy.

The acceptance of the Bermuda principle, however, has been always coupled on the Italian side with a precise request, that is, for a guarantee that the application (of Bermuda) should not prevent necessary specific intervention in cases of excessive capacity scheduling.

The formula proposed by the Italian delegation in its Document No. 3 meets this requirement.

The counter-proposal presented by the United States in its Document No. 3, containing changes made to the Italian proposal, takes away any guarantee, leaving unresolved the problem that had already in the past been the subject of prolonged controversy.

Leaving aside some of the other changes, particular reference is made to paragraph 5, from which there has been eliminated the last sentence from the Italian document, that is that which provided for consultations to agree on procedures regarding the introduction of the Boeing 747's or of other high capacity aircraft.

The Italian Delegation insists on the inclusion of the sentence in question, bringing to the attention of the United States Delegation a simple and indisputable consideration, and that is that the introduction of the B-747's or of other aircraft of great capacity would constitute an element so exceptional that it would revolutionize the forecasts on which international air services are presently based.

It is absurd to think that the actual services operated with current aircraft could out of hand be all replaced by B-747 aircraft or by other high capacity types.

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The Italian request seen in the light of this rational position, is fully reasonable, and therefore it is not understood why it could have given rise to reservations by the United States Delegation.

The Italian Delegation is confident that the US Delegation will take into account the considerations here set forth, accepting the proposed provision, which the Italian delegation cannot abandon.

With respect to paragraph 6 of the Italian proposal, there has been inserted in the text as amended by the American side, a concept which practically nullifies any possibility of a realistic intervention on capacity, which takes us back to the numerous conversations in the past which have always proved to be ineffective.

Reference is made in particular to that which regards in the first sentence the elimination in the American text of the expression "actual traffic results" and to the addition of the phrase "other relevant factors."

The elimination of the expression "actual traffic results" cuts out any meaning to the substance of the first sentence of paragraph 6; the addition of the second phrase would make the resolution of the problem dependent on uncertain and imprecise elements whose evaluation, in fact, are completely subjective.

attachment 1
shows Italian
amendments proposed

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Translation

Italian Document #9
December 13, 1968

[redacted]

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[redacted]

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Italian Document 10

Translation

Italian Text based on
U.S. Article 8
December 17, 1968

Article 8

A. The aircraft of the air transport companies designated by one of the Contracting Parties, engaged in the air transport services provided for in the present Agreement, will be permitted in the territo / of the other Contracting Party exempt from customs duties and any other import charges.

Each Contracting Party shall exempt the air transport companies designated by the other Contracting Party from import restrictions and from the payment of customs duties, from inspection fees, and from all other charges or taxes imposed on fuels lubricants, spare parts, supplies and regular stores or board intended to be used or consumed exclusively by the aircraft that the air transport companies of the other Contracting Party may use in air transport services provided for in the present Agreement, such customs and fiscal exemptions shall apply:

(1) to items introduced in the territory of one Contracting Party and intended to be used on board the aircraft of the companies designated by the other Contracting Party;

(2) to items existing or retained on board aircraft of the companies designated by a Contracting Party, upon arriving in or leaving the territory of the other Contracting Party;

(3) to items taken on board aircraft of the companies designated by one Contracting Party in the territory of the other Contracting Party and intended for the exclusive use of said aircraft; the exemption for spare parts, provisions on board and stores on board can be granted subject

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to the conditions established by the customs authorities concerned.

B. The items which under the provisions of the preceding paragraph (A) enjoy customs and fiscal privileges can also be used or consumed during the course of flights above the territory of the Contracting Party which has granted such privileges, but cannot be used for purposes other than air transport services. They should therefore be reexported in the case that they have not been used, unless they have been granted nationalization in accordance with the regulations in effect in the territory of the Contracting Party concerned. Pending their use and consumption such items must remain under Customs Control.

C. The exemptions provided for in this article may be subject to compliance with standard procedures in effect within the territory of the Contracting Party granting said exemptions, and do not extend to charges accrued in relations to services rendered.

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U.S. Document No. 1

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11/6/68

DRAFT OF AIR TRANSPORT AGREEMENT
BETWEEN THE GOVERNMENT OF THE UNITED STATES
AND THE GOVERNMENT OF ITALY

The Government of the United States of America and the Government of Italy,

Recognizing the increasing importance of international air travel between the two countries and desiring to conclude an Agreement which will assure its continued development in the common welfare,

Have agreed as follows:

Article 1

For the purposes of the present Agreement:

A. "Agreement" shall mean this Agreement and the annexed Route Schedule, and any amendments thereto.

B. "Aeronautical authorities" shall mean, in the case of the United States of America, the Civil Aeronautics Board or any person or agency authorized to perform the functions exercised at the present time by the Civil Aeronautics Board; and in the case of Italy, the Directorate General of Civil Aviation of the Ministry of Transport and Civil Aviation or any person or agency authorized to perform the functions exercised at present by the Directorate General of Civil Aviation.

C. "Designated airline" shall mean an airline that one Contracting Party has notified the other Contracting Party to be an airline which will operate a specific route or routes listed in the Route Schedule of this Agreement. Such notification shall be communicated in writing, through diplomatic channels.

D. "Territory", in relation to a State, shall mean the land areas under the sovereignty, suzerainty, protection, jurisdiction or trusteeship of that State, and territorial water adjacent thereto.

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E. "Air service" shall mean any scheduled air service performed by aircraft for the public transport of passengers, mail or cargo, separately or in combination.

F. "International air service" shall mean an air service which passes through the air space over the territory of more than one State.

G. "Stop for non-traffic purposes" shall mean a landing for any purpose other than taking on or discharging passengers, cargo or mail.

Article 2

Each Contracting Party grants to the other Contracting Party rights necessary for the conduct of air services by the designated airline or airlines as follows: the rights of transit, of stops for non-traffic purposes, and of commercial entry and departure for international traffic in passengers, cargo, and mail, separately or in combination, at the points in its territory named on each of the routes specified in the appropriate paragraph of the Route Schedule of this Agreement.

Article 3

Air service on a specified route may be inaugurated by an airline or airlines of one Contracting Party at any time after that Contracting Party has designated such airline or airlines for that route and the other Contracting Party has granted the appropriate operating permission. Such other Contracting Party shall, subject to Article 4, grant this permission with a minimum of procedural delay provided that the designated airline or airlines may be required to qualify before the competent aeronautical authorities of that Contracting Party, under the laws and regulations normally applied by those authorities, before being permitted to engage in the operations contemplated in this Agreement.

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Article 4

A. Each Contracting Party reserves the right to withhold, suspend or revoke the operating permission referred to in Article 3 of this Agreement with respect to an airline designated by the other Contracting Party, or to impose conditions on such permission, in the event that:

1. such airline fails to qualify under the laws and regulations normally applied by the aeronautical authorities of that Contracting Party;

2. such airline fails to comply with the laws and regulations referred to in Article 5 of this Agreement;

3. that Contracting Party is not satisfied that substantial ownership and effective control of such airline are vested in nationals of the other Contracting Party; or

B. Unless immediate action is essential to prevent infringement of the laws and regulations referred to in Article 5 of this Agreement, the right to suspend or revoke such permission shall be exercised only after consultation with the other Contracting Party.

Article 5

A. The laws and regulations of one Contracting Party relating to the admission to or departure from its territory of aircraft engaged in international air navigation, or to the operation and navigation of such aircraft while within its territory, shall be applied to the aircraft of the airline or airlines designated by the other Contracting Party and shall be compiled with by such aircraft upon entrance into or departure from, and while within the territory of the first Contracting Party.

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B. The laws and regulations of one Contracting Party relating to the admission to or departure from its territory of passengers, crew or cargo of aircraft, such as regulations relating to entry, clearance, immigration, passports, customs, and quarantine shall be compiled with by or on behalf of such passengers, crew, or cargo of the other Contracting Party upon entrance into or departure from, and while within, the territory of the first Contracting Party.

Article 6

Certificates of airworthiness, certificates of competency and licenses issued or rendered valid by one Contracting Party, and still in force, shall be recognized as valid by the other Contracting Party for the purpose of operating the routes and services provided for in this Agreement, provided that the requirements under which such certificates or licenses were issued or rendered valid are equal to or above the minimum standards which may be established pursuant to the Convention on International Civil Aviation. Each Contracting Party reserves the right, however, to refuse to recognize, for the purpose of flight above its own territory, certificates of competency and licenses granted to its own nationals by the other Contracting Party.

Article 7

Each Contracting Party may impose or permit to be imposed just and reasonable charges for the use of public airports and other facilities under its control. Each of the Contracting Parties agrees, however, that these charges shall not be higher than the charges imposed for the use of such airports and facilities by its national aircraft engaged in similar international services.

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Article 8

A. Each Contracting Party shall exempt the designated airline or airlines of the other Contracting Party to the fullest extent possible under its national law from import restrictions, customs duties, excise taxes, inspection fees, and other national duties and charges on fuel, lubricants, consumable technical supplies, spare parts including engines, regular equipment, ground equipment, stores, and other items intended for use solely in connection with the operation or servicing of aircraft of the airlines of such other Contracting Party in international air service. The exemptions provided under this paragraph shall apply to items:

(1) introduced into the territory of one Contracting Party by the airlines of the other Contracting Party or its nationals;

(2) retained on aircraft of the airlines of one Contracting Party upon arriving in or leaving the territory of the other Contracting Party; or

(3) taken on board aircraft of the airlines of one Contracting Party in the territory of the other and intended for use in international air service;

whether or not such items are used or consumed wholly within the territory of the Contracting Party granting the exemption.

B. The exemptions provided under this Article shall also be available in situations where the designated airline or airlines of one Contracting Party have entered into arrangements with another airline or airlines for the loan or transfer in the territory of the other Contracting Party of the items specified in paragraph A, provided such other airline or airlines similarly enjoy such exemptions from such other Contracting Party.

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Article 9

A. There shall be a fair and equal opportunity for the airlines of each Contracting Party to operate on any route covered by this Agreement.

B. In the operation by the airlines of either Contracting Party of the air services described in this Agreement, the interest of the airlines of the other Contracting Party shall be taken into consideration so as not to affect unduly the services which the latter provide on all or part of the same routes.

C. The air services made available to the public by the airlines operating under this Agreement shall bear a close relationship to the requirements of the public for such services.

D. Services provided by a designated airline under the present Agreement shall retain as their primary objective the provision of capacity adequate to the traffic demands between the country of which such airline is a national and the countries of ultimate destination of the traffic. The right to embark or disembark on such services international traffic destined for and coming from third countries at a point or points on the routes specified in this Agreement shall be applied in accordance with the general principles of orderly development to which both Contracting Parties subscribe and shall be subject to the general principle that capacity should be related:

1. to traffic requirements between the country of origin and the countries of ultimate destination of the traffic;
2. to the requirements of through airline operation; and,
3. to the traffic requirements of the area through which the airline passes, after taking account of local and regional services.

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E. Neither Contracting Party shall unilaterally impose any restriction on the airline or airlines of the other Contracting Party with respect to capacity, frequency, scheduling or type of aircraft employed in connection with services over any of the routes specified in this Agreement. In the event that one of the Contracting Parties believes that the operations conducted by an airline of the other Contracting Party have been inconsistent with the standards and principles set forth in Article 9, it may request consultation pursuant to Article 11 of the Agreement for the purpose of reviewing the operations in question to determine whether they are in conformity with said standards and principles.

Article 10

A. All rates to be charged by an airline of one Contracting Party for carriage to or from the territory of the other Contracting Party shall be established at reasonable levels, due regard being paid to all relevant factors, such as costs of operation, reasonable profit, and the rates charged by any other airlines, as well as the characteristics of each service. Such rates shall be subject to the approval of the aeronautical authorities of the Contracting Parties, who shall act in accordance with their obligations under this Agreement, within the limits of their legal powers.

B. Any rate proposed to be charged by an airline of either Contracting Party for carriage to or from the territory of the other Contracting Party, shall, if so required, be filed by such airline with the aeronautical authorities of the other Contracting Party at least thirty (30) days before the proposed date of introduction unless the Contracting Party with whom the filing is to be made permits

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filing on shorter notice. The aeronautical authorities of each Contracting Party shall use their best efforts to insure that the rates charged and collected conform to the rates filed with either Contracting Party, and that no airline rebates any portion of such rates by any means, directly or indirectly, including the payment of excessive sales commissions to agents or the use of unrealistic currency conversion rates.

C. It is recognized by both Contracting Parties that during any period for which either Contracting Party has approved the traffic conference procedures of the International Air Transport Association, or other association of international air carriers, any rate agreements concluded through these procedures and involving an airline or airlines of that Contracting Party will be subject to the approval of the aeronautical authorities of that Contracting Party.

D. If a Contracting Party, on receipt of the notification referred to in paragraph B above, is dissatisfied with the rate proposed, it shall so inform the other Contracting Party at least fifteen (15) days prior to the date that such rate would otherwise become effective, and the Contracting Parties shall endeavor to reach agreement on the appropriate rate.

E. If a Contracting Party upon review of an existing rate charged for carriage to or from its territory by an airline or airlines of the other Contracting Party is dissatisfied with that rate, it shall so notify the other Contracting Party and the Contracting Parties shall endeavor to reach agreement on the appropriate rate.

F. In the event that an agreement is reached pursuant to the provisions of paragraph D or E, each Contracting Party will exercise its best efforts to put such rate into effect.

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G. If:

(1) under the circumstances set forth in paragraph D no agreement can be reached prior to the date that such rate would otherwise become effective, or

(2) under the circumstances set forth in paragraph E no agreement can be reached prior to the expiration of sixty (60) days from the date of notification,

then the Contracting Party raising the objection to the rate may take such steps as it may consider necessary to prevent the inauguration or the continuation of the service in question at the rate complained of; provided, however, that the Contracting Party raising the objection shall not require the charging of a rate higher than the lowest rate charged by its own airline or airlines for comparable service between the same points.

H. When in any case under paragraphs D and E of this Article the aeronautical authorities of the two Contracting Parties cannot agree within a reasonable time upon the appropriate rate after consultation initiated by the complaint of one Contracting Party concerning the proposed rate or an existing rate of the airline or airlines of the other Contracting Party, upon the request of either, the terms of Article 12 of this Agreement shall apply. In rendering its decision or award, the arbitral tribunal shall be guided by the principles laid down in this Article.

I (i) Each designated airline has the right to engage in the sale of air transportation in the territory of the other Contracting Party ~~either~~ directly and ~~or~~, in its discretion, through its agents. [illegible]. Such airline shall have the right to sell such transportation, and any person shall be free to purchase such transportation, in the currency of that territory or in freely convertible currencies of

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other countries.

(ii) Any rate specified in terms of the national currency of one of the Contracting Parties shall be established in an amount which reflects the effective exchange rate (including all exchange fees or other charges) at which the airlines of both Parties can convert and remit the revenues from their transport operations into the national currency of the other Party.

(iii) Each designated airline has the right to convert and remit to its country local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly and without restrictions at the rate of exchange in effect for the sale of transportation at the time such revenues are presented for conversion and remittance, and shall be exempted from taxation to the fullest extent permitted by national law. If a Contracting Party requires the submission of applications for conversion and remittance, the airlines of the other Contracting Party shall be permitted to file such applications, as often as weekly, free of burdensome or discriminatory documentary requirements.

ARTICLE 11

A. Either Contracting Party may at any time request consultations on the interpretation, application or amendment of this Agreement. Such consultations shall begin within a period of sixty (60) days from the date the other Contracting Party receives the request.

B. Amendments of this Agreement, other than those pertaining to the Route Schedule, will come into force in the same manner as this Agreement comes into force.

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C. Amendments of the Route Schedule will come into effect after approval in accordance with the domestic laws and procedures of each Contracting Party on the date of an exchange of diplomatic notes.

Article 12

A. Any dispute with respect to matters covered by this Agreement not satisfactorily adjusted through consultation shall, upon request of either Contracting Party, be submitted to arbitration in accordance with the procedures set forth herein.

B. Arbitration shall be by a tribunal of three arbitrators constituted as follows:

(1) One arbitrator shall be named by each Contracting Party within 60 days of the date of delivery by either Contracting Party to the other of a request for arbitration. Within 30 days after such period of 60 days, the two arbitrators so designated shall by agreement designate a third arbitrator, who shall not be a national of either Contracting Party.

(2) If the third arbitrator is not agreed upon in accordance with sub-paragraph (1) above, either Contracting Party may request the President of the Council of the International Civil Aviation Organization to designate the necessary arbitrator.

C. Each Contracting Party shall use its best efforts consistent with its national law to put into effect any decision or award of the arbitral tribunal.

D. The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Contracting Parties.

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Article 13

This Agreement and all amendments thereto shall be registered with the International Civil Aviation Organization.

Article 14

Either of the Contracting Parties may at any time notify the other of its intention to terminate the present Agreement. Such a notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate one year after the date on which the notice of termination is received by the other Contracting Party, unless withdrawn before the end of this period by agreement between the Contracting Parties. Should the other party not acknowledge receipt, the notification will be considered as having been received fourteen days subsequent to the date of its receipt by the International Civil Aviation Organization.

Article 15

This Agreement shall become operative on the day it is signed. The Government of Italy shall notify the Government of the United States of the completion of the formalities prescribed in the internal legislation of Italy, and the Agreement shall become definitive upon the date of such notification.

In witness whereof, the undersigned, being duly authorized by their respective Governments, have signed the present Agreement.

Done in duplicate at _____ in the English and Italian languages, both texts being equally authentic, this _____ day of ___, 19__.

For the Government of the United States of America:

For the Government of Italy:

Route Schedule.

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A. An airline or airlines designated by the Government of the United States shall be entitled to operate air services on each of the routes specified, in both directions, and to make scheduled landings in the territory of Italy at the points specified in this paragraph:

From ----------

B. An airline or airlines designated by the Government of Italy shall be entitled to operate air services on each of the routes specified, in both directions, and to make scheduled landings in the territory of the United States at the points specified in this paragraph:

From ---------- ----------

C. Points on any of the specified routes may at the option of the designated airline be omitted on any or all flights.

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ARTICLE 15

The present Agreement shall enter into force on the 15th day following the date of the exchange of diplomatic notes.

MEMORANDUM

With reference to the Air Agreement signed on today's date, the Contracting Parties agree that, pending the exchange of diplomatic notes as provided in Article 15, the said Agreement shall be placed provisionally in operation as of the date of signature.

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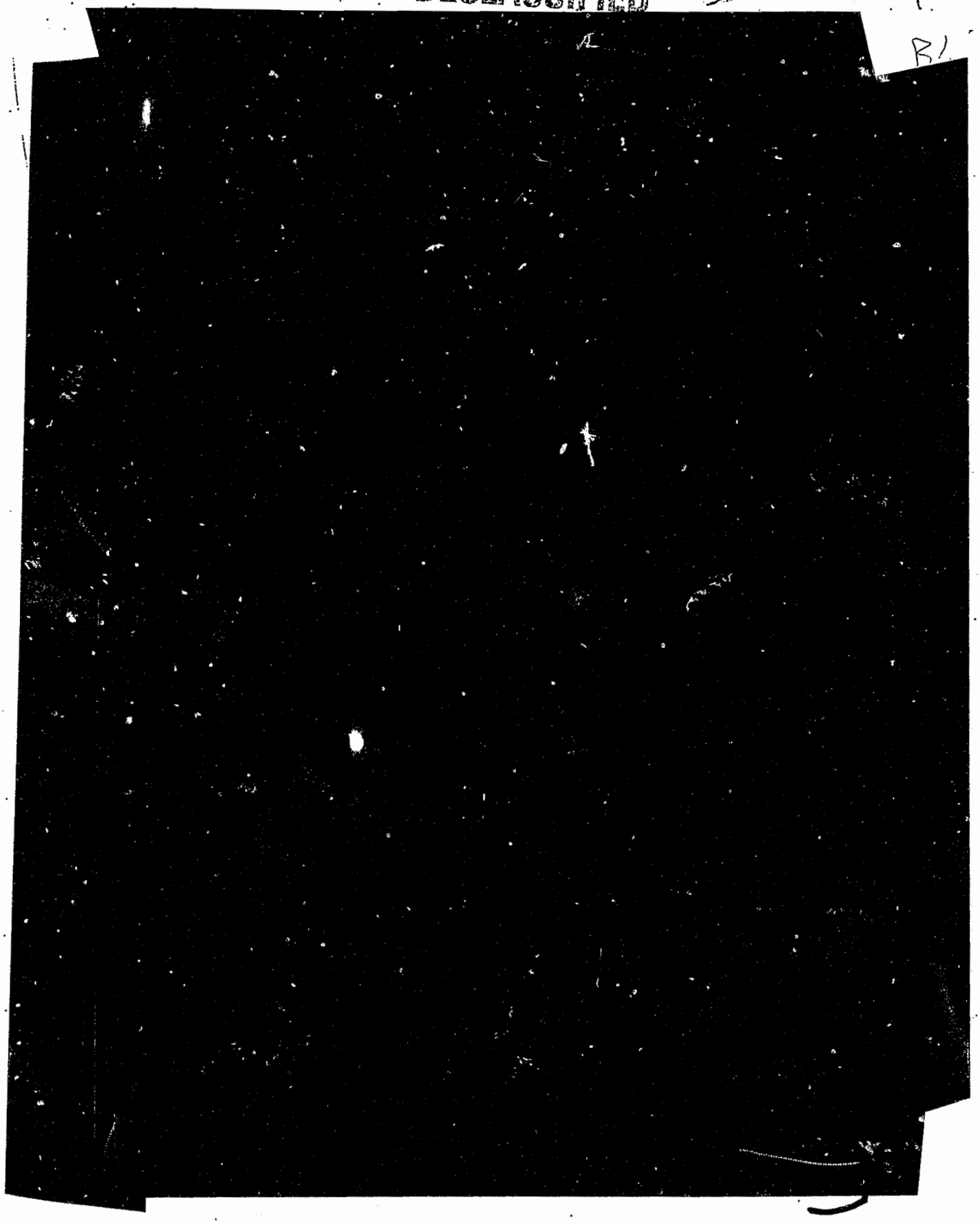
Dec 12, 1968



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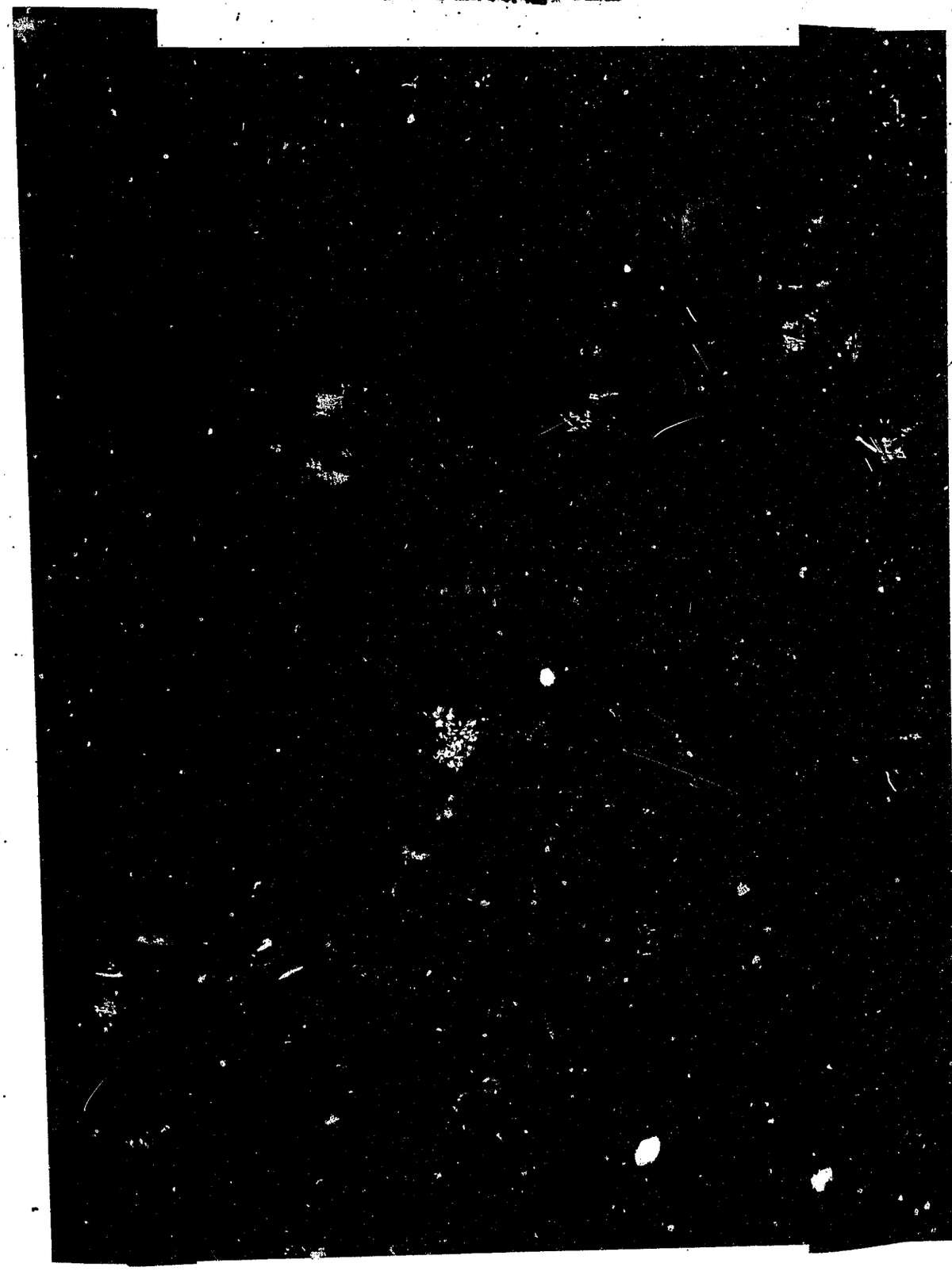

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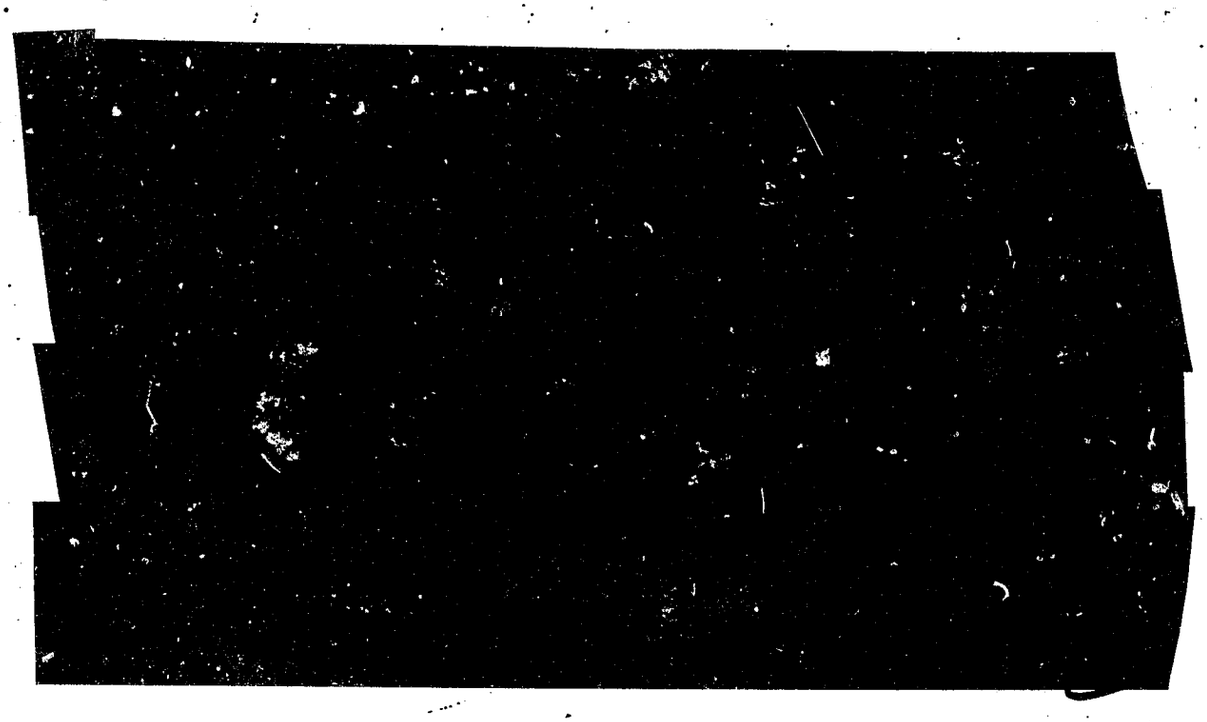

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US Dept of State
Dec 12, 1968

United States/Italian Civil Aviation Negotiations

Draft Route Schedule

A. For the United States

An airline or airlines designated by the Government of the United States of America shall be entitled to operate air services on the routes specified, in both directions, and to make scheduled landings in Italy at the points specified in this paragraph:

From the United States via intermediate points in Ireland*, the United Kingdom*, France, Germany, Switzerland, Spain, and Portugal to:

1. Milan, Turin*, Pisa*, Naples*, and Rome.

2. Milan and Rome and beyond to Greece, Turkey, Lebanon, Israel, United Arab Republic, Saudi Arabia, Iran, Pakistan, India, Ceylon, Burma, Thailand, Viet Nam, Hong Kong, Mainland China, Taiwan, Japan and beyond.

*Note. Traffic rights at points marked with an asterisk are for cargo and mail traffic only whether carried separately or in combination with passenger traffic.

B. For Italy

An airline or airlines designated by the Government of Italy shall be entitled to operate air services on the routes specified,

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in both directions, and to make scheduled landings in the United States at the points specified in this paragraph.

1. From Italy via intermediate points in the United Kingdom and Portugal to Boston and New York.

2. From Italy via Montreal to Chicago and Los Angeles.

3. From Italy via Paris to Atlanta and Dallas.

C. Points on any of the above specified routes may at the option of the designated airline or airlines be omitted on any or all flights.

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U.S. Docket

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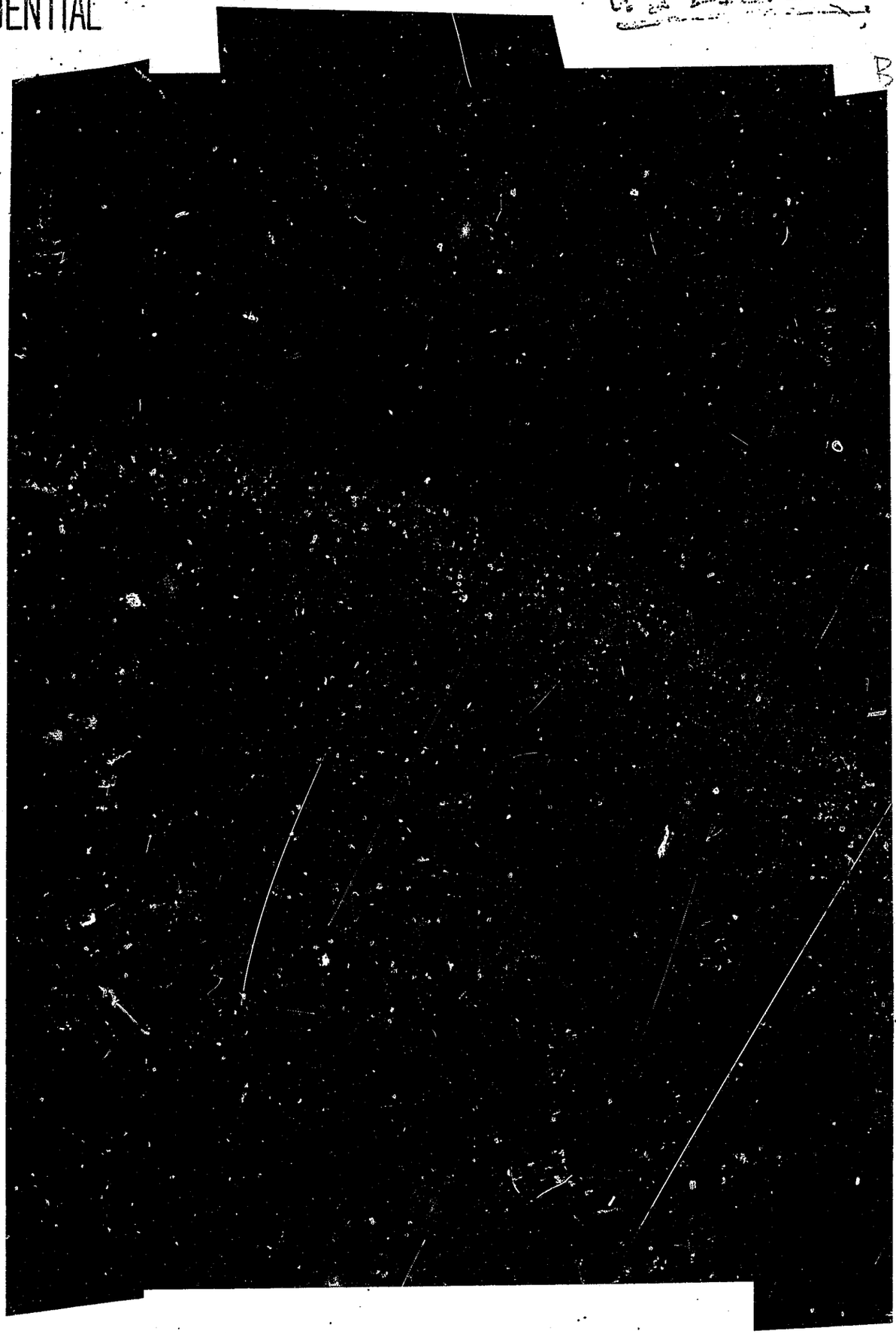

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CONFIDENTIAL DECLASSIFIED U.S. Document No 6

Notwithstanding the multiple designation provision of Article 3 of the United States-Italian Air Transport Agreement, the US Delegation stated that the United States has no intention of allowing more than three carriers to operate to Italy from any one point in the United States.

However, if the United States designates a carrier for services to Italy other than those carriers now operating scheduled services to Italy, the United States would, upon request, consult with Italy to determine, on an ex post facto basis, whether the implementation of such services had had an undue effect on the Italian carrier.

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